

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAM-01 SAJ-01 IO-14 NIC-01 AID-20 COME-00

EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 FEA-02 INT-08 AGR-20 STR-08 COA-02

DLOS-07 DRC-01 /227 W

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R 021040Z JUL 74ZDK

FM USMISSION BERLIN

TO SECSTATE WASHDC 3597

INFO: RUESRB/AMEMBASSY BELGRADE 1091

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION NATO

USMISSION UN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 1103

E.O. 11652: GDS

TAGS: GE, US, GW, WB, PFOR

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SUBJECT: U.S. POLICY ASSESSMENT FOR GDR - QUARTERLY REVIEW

REF: BERLIN 481

1. SUMMARY: SPRING 1974 HAS NOT BEEN AN ENTIRELY CHARITABLE SEASON FOR EAST GERMAN POLICY-MAKERS. AS ANXIETIES OVER COURSE OF INNER-GERMAN DETENTE WERE GIVING WAY TO GROWING SPIRIT OF SELF-CONFIDENCE, THE GUILLAUME AFFAIR AND BRANDT RESIGNATION CAST UNCERTAIN SHADOW OVER CENTRAL EUROPEAN POLITICAL LANDSCAPE. AT THE SAME TIME THE REGIME WAS FORCED TO DEAL WITH CONTINUING ECONOMIC PROBLEMS NOW COMPOUNDED BY FALL-OUT OF OIL CRISIS, UNCERTAINTY OF SOVIET RAW MATERIAL DELIVERIES AND CEMA INTEGRATION SCHEMES. THROUGH SOME INNOVATION AND SOME MANIPULATION, GDR PLANNERS SEEM TO HAVE BROUGHT SITUATION UNDER AT LEAST SHORT-TERM CONTROL. FUTURE OF PRESENT EAST GERMAN PROGRAMS REMAINS UNCERTAIN HOWEVER, AS BROADER EAST-WEST POLITICAL/ECONOMIC DICTATES CONTINUE TO TEST THEIR RESILIENCE AND ADAPTABILITY.

2. DURING THE QUARTER THERE WAS SOME MEASURABLE JOINT MOVEMENT IN US/GDR BILATERAL RELATIONS. WHILE US HAS BEEN ENGAGING THE GDR MORE ACTIVELY IN INTERNATIONAL FORUMS (MBFR, CSCE, ICNAF AND US AGENCIES), MOST DIRECT WASHINGTON-EAST BERLIN CONTACTS HAVE BEEN AT LEVEL OF TECHNICAL EXCHANGES, PRINCIPALLY ON ADMINISTRATIVE MATTERS RELATING TO EVENTUAL ESTABLISHMENT DIPLOMATIC RELATIONS. GDR RECENTLY HAS DISPLAYED HIGHEST-LEVEL INTEREST IN RAPID NORMALIZATION OF RELATIONS WITH WASHINGTON. AT END OF PERIOD, US INVITED GDR DELEGATION TO VISIT WASHINGTON FOR SUBSTANTIVE TALKS PREPARATORY TO ESTABLISHMENT OF RELATIONS. END SUMMARY.

3. INTRODUCTION: SINCE OUR EARLIER POLICY ANALYSIS (REFTEL) IN OUR VIEW FOLLOWS BASIC ASSESSMENT GUIDELINES AS PROVIDED A-3313 WE WILL CONFINE OUR COMMENTS AT THIS TIME TO EAST GERMAN DEVELOPMENTS DURING SECOND QUARTER 1974. WHILE WE WOULD CONTEND US INTERESTS AND OBJECTIVES IN GDR REMAIN ESSENTIALLY UNCHANGED, WE BELIEVE THERE ARE SOME AREAS IN WHICH MUANCED CORRECTIONS IN US SPECTATIONS VIS-A-VIS EAST BERLIN

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MAY BE IN ORDER.

4. AS APRIL BEGUN THERE WAS EVERY INDICATION THAT GDR LEADERSHIP WAS SUBSTANTIALLY CONTENT WITH COURSE AND ACHIEVEMENTS OF ITS FOREIGN AND DOMESTIC POLICIES. POLITICALLY IT HAD BEGUN TO FIND ITS LEGS AS ACCEPTED MEMBER OF INTERNATIONAL COMMUNITY. AFTER SOME ANXIOUS FITS AND STARTS THE GDR HAD BEGUN TO COME TO GRIPS WITH INNER-GERMAN DETENTE AND

INDEED PROVED ADEPT AT PROMOTING ITS MAJOR INTERESTS AND  
MAINTAINING ITS DOMESTIC CONTROL IN PROCESS. DESPITE SOME  
NAGGING PROBLEMS THE EAST GERMAN ECONOMY WAS PICKING UP FROM  
A SLUGGISH SECOND HALF OF 1973. BECAUSE GDR ONLY MARGINALLY  
DEPENDENT ON ARAB OIL THE EAST GERMANS HOPED TO AVOID SOME OF  
THE DIRE CONSEQUENCES OF THE OIL PROBLEM. INCREASED SOVIET  
ECONOMIC DEMANDS ON GDR AND NEW CEMA INTEGRATION SCHEMES  
LOOMED BUT APPEARED MANAGEABLE. THEN CAME THE EXPOSURE OF  
GDR AGENT, GUILLAUME, IN INNER-SANCTUM OF THE WEST GERMAN  
CHANCELLOR AND THE SUBSEQUENT SQUALL WHICH BROKE IN EARLY  
MAY WHEN BRANDT RESIGNED. AT THE OUTSET THE GDR POLICY  
MAKERS WERE CLEARLY UNCERTAIN HOW TO PROCEED. FOR A MOMENT  
IT LOOKED AS IF SOME INCALCULABLE DAMAGE MIGHT BE DONE TO THE  
MORE FINELY DRAWN ELEMENTS OF WEST GERMANY'S CAREFULLY NURTURED  
OSTPOLITIK. IN APPARENT CONVICTION THAT WESTERN INDIGNATION  
WOULD SOONER OR LATER GIVE WAY TO BROADER POLICY CONSIDERATIONS  
GDR DID NOT DENY, BUT MOSTLY IGNORED AND DOWN-PLAYED GUILLAUME  
AFFAIR. THE GDR AT THE SAME TIME, SOUGHT TO PROJECT ITSELF  
AGAIN AS CHAMPION OF DETENTE, PRAISING BRANDT'S EFFORTS  
ON INNER-GERMAN FRONT, PLEDGING "CONTINUED GDR FORTHCOMINGNESS"  
ON EAST-WEST NEGOTIATIONS, AND MIXING HONEYED-WORDS FOR NEW  
SCHMIDT-GENSCHER GOVERNMENT WITH HINTS OF NEW GDR CONCESSIONS  
IN FRG/GDR RELATIONSHIP. GDR ALSO INITIATED FLURRY OF

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DLOS-07 DRC-01 /227 W

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R 021040Z JUL 74ZDK

FM USMISSION BERLIN

TO SECSTATE WASHDC 3598

INFO: RUESRB/AMEMBASSY BELGRADE 1092

AMEMBASSY BONN

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AMEMBASSY PARIS

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ACTIVITY ON EAST EUROPEAN CIRCUIT (HONECKER AND SINDEMANN  
IN MOSCOW AND WARSAW) IN EFFORT NOT ONLY TO CLEAR LINES  
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ON NEXT STEPS ON DETENTE BUT TO SALVE BRUISED IMAGE ON  
GDR LEADERSHIP. BY MID-JUNE A MORE CAUTIOUS EAST GERMAN  
SELF-CONFIDENCE EVIDENCED ITSELF AGAIN. WHILE GDR OFFER  
ON DETENTE VIS-A-VIS FRG STOOD, IT CARRIED MORE OBVIOUS  
HOOKERS THAN BEFORE, I.E. TRYING ROLBACK OF MANDATORY  
EXCHANGE REQUIREMENTS FOR TRAVELLERS TO FRG ECONOMIC CON-  
CESSION AND BECOMING MORE STRIDENT ON FEDERAL ENVIRONMENT  
OFFICE (FEA) IN BERLIN. (DISCUSSED BERLIN 1079). THE CLEAR  
IMPRESSION NOW IS THAT GDR DETERMINED NOT TO MAKE ANY REAL  
CONCESSIONS-- UNLESS AND UNTIL REALLY REQUIRED TO DO SO BY  
BROADER EAST-WEST CONSIDERATIONS.

5. NOT ALL GDR POLICY HEADACHES DURING QUARTER, HOWEVER, WERE  
ON POLITICAL SCENE AS VEXING ECONOMIC PROBLEMS FOUGHT FOR  
EQUAL TIME. ACCESS TO SOVIET FUELS AND RAW MATERIALS BECAME  
MORE PROBLEMATICAL IN WAKE OF NEW SOVIET COMMITMENTS TO WEST.  
SHORTAGES OF AND INFLATED PRICES OF ESSENTIAL IMPORTS FROM  
WEST, IMPACTED ESPECIALLY ON GDR'S ENERGY REQUIREMENTS AND VITAL  
PETRO-CHEMICAL INDUSTRY. IN ADDITION, GDR CONCERN OVER ACCESS  
TO GENEROUS WESTERN CREDITS BECAME KEY SUBJECT OF DEBATE FOR  
EAST GERMAN PLANNERS AS FUTURE OF IGT SWING REMAINED IN DOUBT.  
EAST GERMAN PLANNERS AS FUTURE OF IGT SWING REMAINED IN DOUBT.  
PERHAPS GREATEST SOURCE OF POTENTIAL ECONOMIC DISLOCATION,  
HOWEVER, ARE CEMA INTEGRATION SCHEMES WHICH ACCORDING TO  
CURRENT REPORTS ENTAIL PRODUCTION SHIFTS AND DIVERSION OF

SCARCE CAPITAL RESOURCES TO JOINT PROJECTS. WHILE IN LONG RUN THESE PROJECTS MAY ASSIST GDR IN EASING NAGGING LABOR AND SUPPLY SHORTAGES, THEY MAY WELL DEMAND PAINFUL SHORT-TERM ADJUSTMENTS ON PART OF CONSUMER AS WELL AS INDUSTRIAL SECTOR. ALSO INCREASING SOVIET DEMANDS FOR A LARGER PIECE OF GDR PROSPERITY PROMISES TO EXACERBATE THE PROBLEM.

#### 6. US-GDR DIPLOMATIC RELATIONS

EARLY IN QUARTER, EAST GERMANS INDICATED THEY WERE PREPARED TO MEET MOST AMERICAN ADMINISTRATIVE PREREQUISITES FOR THE ESTABLISHMENT OF RELATIONS. EAST GERMAN FORTHCOMINGNESS DURING MARCH VISIT OF US ADMINISTRATIVE TEAM TO EAST BERLIN, RESULTED IN TENTATIVE SELECTION OF CHANCERY SITE, AN AMBASSADORIAL RESIDENCE AND SOME STAFF HOUSING. ON JUNE 27 US ISSUED INVITATION TO GDR TO SEND DELEGATION TO WASHINGTON

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IN JULY FOR SUBSTANTIVE NEGOTIATIONS PREPARATORY TO ESTABLISHMENT OF RELATIONS AND EXCHANGE OF DIPLOMATIC MISSIONS.

7. MAIN DEVELOPMENT DURING PERIOD ON GDR SIDE WAS RARE HONECKER INTERVIEW WITH WESTERN JOURNALIST GIVEN TO AP ON JUNE 4. HINTING THAT US-GDR RELATIONS OF DIRECT CONCERN TO GDR LEADERSHIP, HONECKER PERSONALLY GAVE PUSH TO RAPID ESTABLISHMENT DIPLOMATIC RELATIONS. SUBSEQUENT DISCUSSIONS IN EAST BERLIN INDICATE HONECKER'S INITIATIVE WAS INTENDED TO CONVEY THE IMPRESSION OF A SERIOUS EFFORT NOT ONLY TO SECURE LONG-SOUGHT PRESTIGE OF FORMAL RELATIONS WITH WASHINGTON BUT TO INSTILL APPEARANCE OF NEW MOVEMENT IN EAST-WEST AFFAIRS FROM GDR SIDE.

#### 8. US-GDR COMMERCIAL RELATIONS

WHILE EXPERIENCE SHOWS THAT GDR TENDS TO WEIGH POLITICAL CONSIDERATIONS HEAVILY IN ITS RELATIONS WITH WEST, EAST GERMAN INTEREST IN FORMAL TIES WITH WASHINGTON CLEARLY ALSO REFLECT A REAL GDR DESIRE TO SECURE ACCESS TO ADVANCED US GOODS AND TECHNOLOGY. AS GDR SEEKS TO DIRECT GROWTH IN TRADE WITH WESTERN NATIONS AWAY FROM GFRG, US LOOMS AS INCREASINGLY INTERESTING TRADING PARTNER. AS WE CAUTIONED EARLIER (REFTEL) LEVEL OF US-GDR TRADE REALISTICALLY WILL CONTINUE TO BE LIMITED IN ABSOLUTE TERMS. IN SPECIFIC AREAS, HOWEVER, GDR INTEREST IN US PRODUCTS AND KNOW-HOW COULD PROVE OF CONSIDERABLE COMMERCIAL SIGNIFICANCE TO SPECIFIC AMERICAN FIRMS.

#### 9. US AND GDR IN INTERNATIONAL FORUMS

CSCE AND LOS ARE INTERNATIONAL AREAS IN WHICH GDR HAS EVIDENCED MOST INTEREST AND CONCERN IN RECENT WEEKS. CSCE ASPECTS

ARE MOSTLY NEGATIVE, DERIVING FROM EAST GERMAN ANXIETIES AS  
TO POSSIBLE DOMESTIC IMPACT OF BASKET III. GDR ALSO VERY  
INTERESTED IN MANNER IN WHICH FINAL CSCE DECLARATION TREATS  
QUADRIPARTITE RIGHTS AND PERMANENCE OF EUROPEAN  
BORDERS. IT CLEARLY WILL BITE BULLET, HOWEVER, IF  
BROADER SOVIET INTERESTS DICTATE IT DO SO. GDR MAY MAKE  
PROCESS OF EAST-WEST AGREEMENT SOMEWHAT DIFFICULT HOWEVER, IF  
ONLY BY CLAIMING ITS EARLIER CONCESSIONS IN FRG-GDR AGREEMENTS  
CONSTITUTE PRECOMPLIANCE WITH HUMAN CONTACTS PROVISIONS

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OF CSCE. GDR ATTITUDE AND PARTICIPATION IN LOS  
ON OTHER HAND COULD WELL BE POSITIVE AND HELPFUL TO US  
OBJECTIVES. GDR IS INTERESTED IN SECURING NONDISCRIMINATORY  
ACCESS FOR ITS FISHING FLEETS, INCLUDING FREE PASSAGE, AND  
ON MOST ISSUES ITS POSITIONS SEEM GENERALLY COMPATIBLE  
WITH THOSE OF THE US. KLEIN

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## Message Attributes

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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 JUL 1974  
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**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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